



Director of
Central
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Contents

1	Poland: <i>Stance Toward Opposition</i>	i
2	[Redacted]	1
3	Italy: <i>Exaggerated Energy Needs</i>	2
4	France: <i>Socialist-Communist Summit</i>	3
5	[Redacted]	4
6	[Redacted]	5
7	[Redacted]	5
8	West Germany: <i>Schmidt's Statement to the Bundestag</i>	6
9	EC-Japan-Canada-US: <i>Trade Discussions</i>	6
10	[Redacted]	7
11	[Redacted]	7
12	[Redacted]	8

Special Analysis

13	Israel: <i>Political Situation in the West Bank</i>	9
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~~Top Secret~~

14 January 1982

~~Top Secret~~

(1) POLAND: Stance Toward Opposition

1-6 Premier Jaruzelski yesterday chaired a meeting of the Military Council of National Salvation to begin reestablishing normal relations with various social groups, but he reportedly believes that Solidarity cannot be allowed to reemerge. At the same time, a Solidarity provincial leader has retracted his support for martial law, and a university professor expects a purge of faculty members who had been close to Solidarity.

The Military Council session was attended by workers, party officials, members of Solidarity, and the other unions. The Council "informed" those present about current conditions, but no details were released about the ensuing discussion.

1-4 According to a member of the Polish party Politburo, Jaruzelski hopes eventually to win credibility through economic progress but currently lacks the means and must ensure that opposition to his regime will not reappear in the meantime. The party official said that a "program of peace" has been prepared and will be presented to the parliament by Jaruzelski next Tuesday. He played down the role of the party stating that the program was developed by the government.

Comment: The Council meeting was the government's first attempt to convey the impression that it is seeking to reestablish normal relations with various groups. The Council probably dominated the discussion, and the Solidarity members present apparently were low-level officials.

The remarks by the Politburo member suggest that Jaruzelski's program will not go far toward meeting Western demands that detainees be released, that martial law be ended, and that a dialogue be renewed with the Church and Solidarity. Instead, the program probably will underscore the government's need to retain strong controls and its willingness to back its policies with

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force. The martial law authorities seem to believe, unrealistically, they can use coercion to restore the Polish economy. [redacted]

Support for Martial Law Retracted

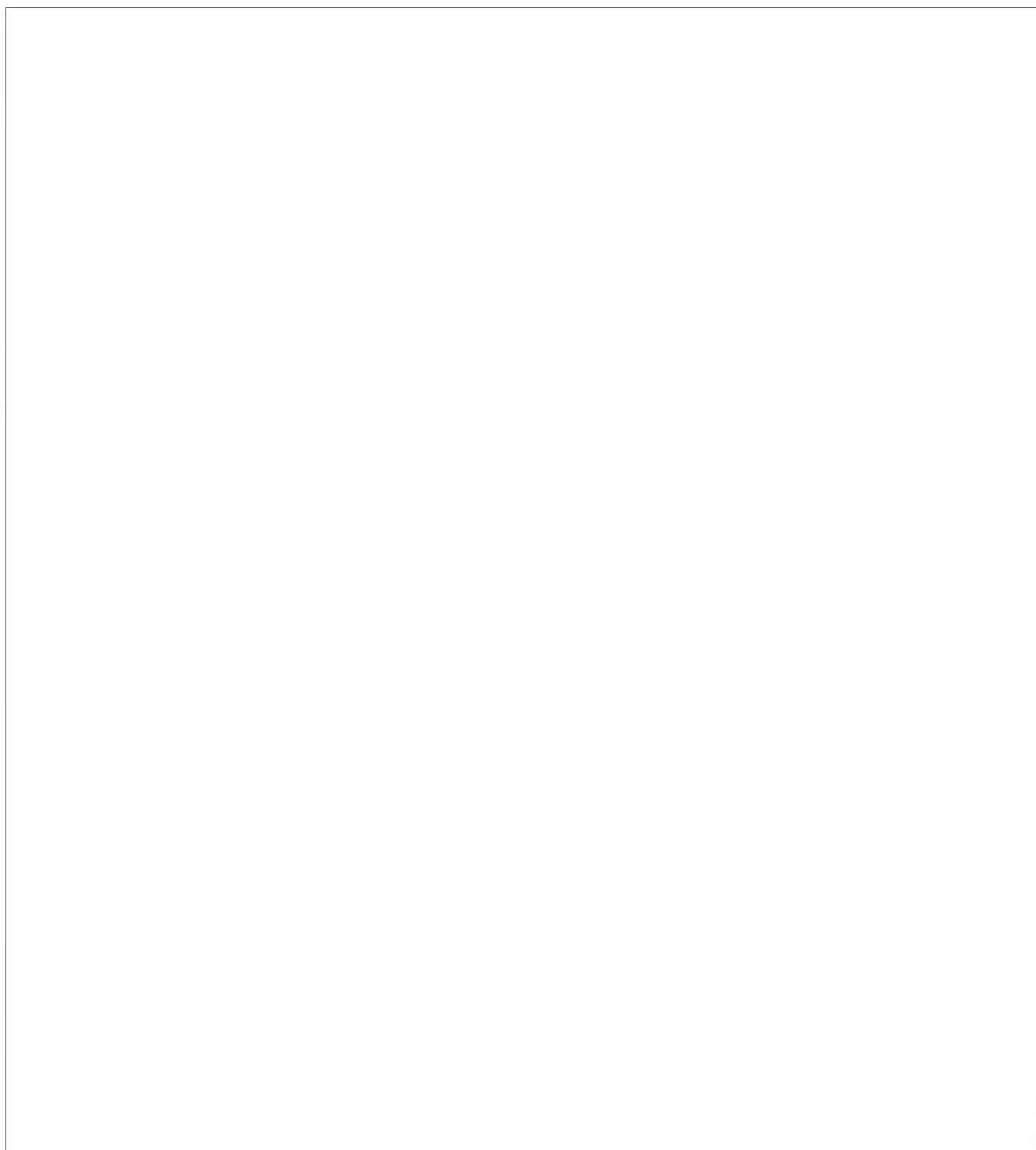
The Solidarity leader in Poznan, Zdzislaw Rozwalak, has retracted an earlier statement supporting martial law saying it was made under duress. Rozwalak spoke to a group of foreign correspondents who were visiting Poznan's largest factory as part of the first organized trip for the press outside Warsaw since the imposition of martial law. The factory workers told the reporters that they still supported Solidarity leader Walesa and the union. [redacted]

1-4 Comment: Rozwalak's retraction will reach the populace by way of Western broadcasts and will make it more difficult for the government to gain support from other local Solidarity leaders. The incident also will discredit government efforts to demonstrate that it is talking with Solidarity "activists," and Warsaw may decide to halt such trips. [redacted]

The willingness of workers to state their support publicly for Solidarity, despite possible sanctions, is evidence of the union's strength, and probably is why martial law authorities have not moved quickly to release the more than 5,000 union activists being held under detention. [redacted]

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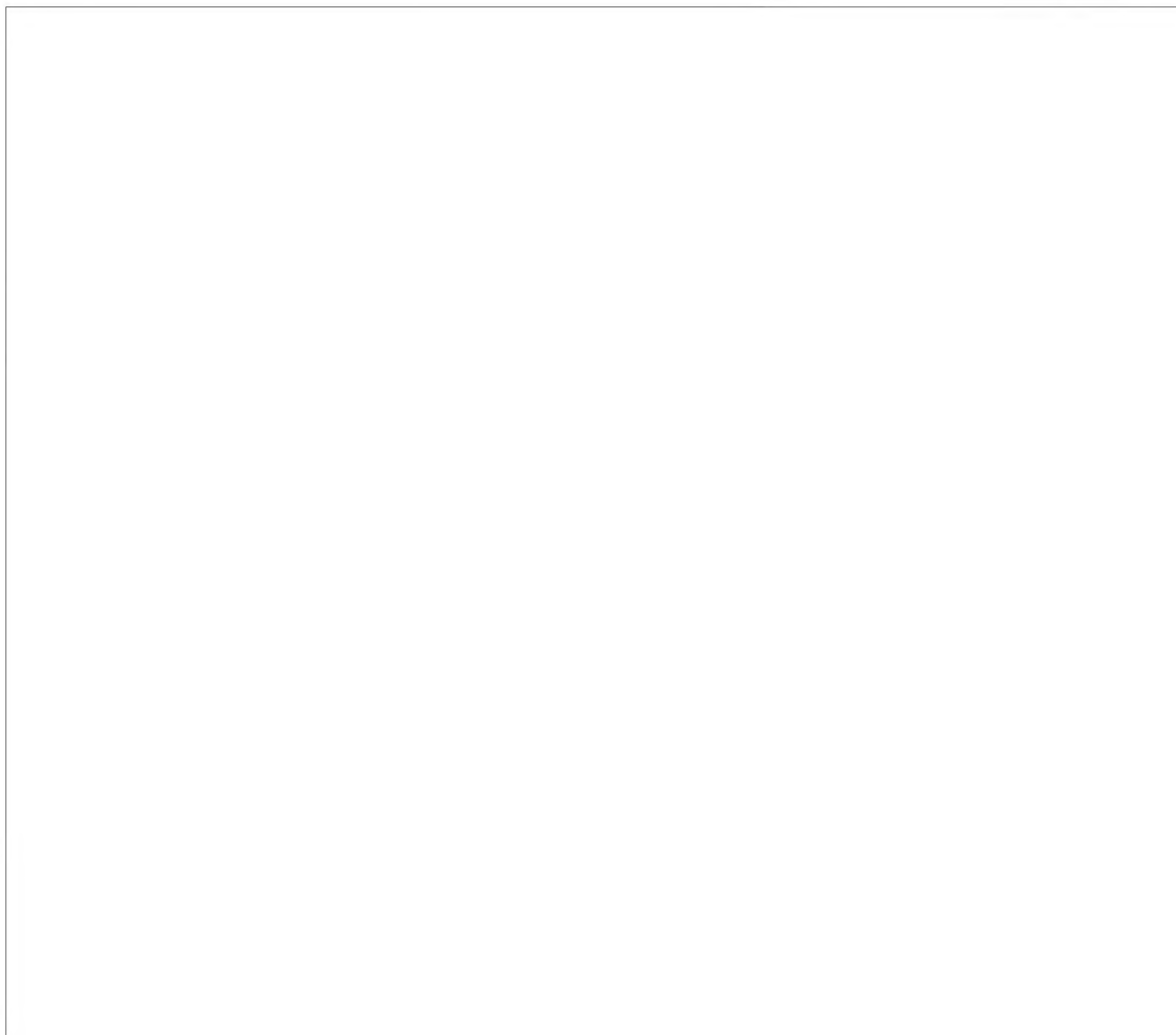
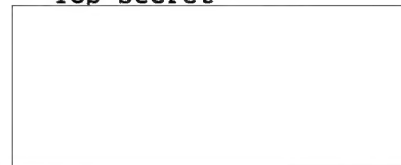
Comment: A purge in the universities would set back Jaruzelski's efforts to win the support of intellectuals, or at least to neutralize them. He met with a group of intellectuals before Christmas to demonstrate his willingness to listen to their advice. A purge would reinforce doubts that the regime is serious about continuing reforms. [redacted]

1-4 Jaruzelski may not have been personally involved in taking the initiative on arrests and dismissals. Although the Military Council reportedly sets out basic guidelines and makes major decisions, other actions may originate with lower level officials. [redacted]

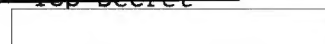
~~Top Secret~~

14 January 1982

~~Top Secret~~



~~Top Secret~~



14 January 1982

~~Top Secret~~

(3) ITALY: Exaggerated Energy Needs

Rome's apparent overestimation of Italy's energy requirements by 1990 could lead to more controversy over participation in the Siberian natural gas pipeline but probably will not by itself lead to Italian withdrawal.

Preliminary data released earlier this week on energy consumption in 1981 suggest that the latest National Energy Plan overstates 1990 needs for energy by the equivalent of 7 million tons of oil or some 8.5 billion cubic meters of natural gas. The Italians have a preliminary agreement with the Soviets to buy 8 to 10 billion cubic meters of gas annually to be supplied through the pipeline. Partisan political pressure--largely from the Socialists--following imposition of martial law in Poland has forced the government to suspend negotiations with Moscow temporarily.

14 Comment: The new information on probable energy needs may strengthen opposition to participating in the pipeline project. The government, however, can still argue that buying the gas would reduce heavy dependence on oil, which fills two-thirds of Italy's energy requirements.

With unemployment at more than 9 percent in October, labor groups are likely to urge the government not to abandon the project. Italian companies, moreover, have been expected to secure pipeline equipment contracts worth \$2.5 billion.

Pulling out of the venture would weaken Italy's bargaining position with Algeria. Rome is counting on 12 billion cubic meters of Algerian gas per year, but discussions on price are currently deadlocked.

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④ FRANCE: Socialist-Communist Summit

Socialist and Communist leaders, in their first meeting since June, recently agreed not to let their differences over Poland split the leftist coalition engineered by President Mitterrand.

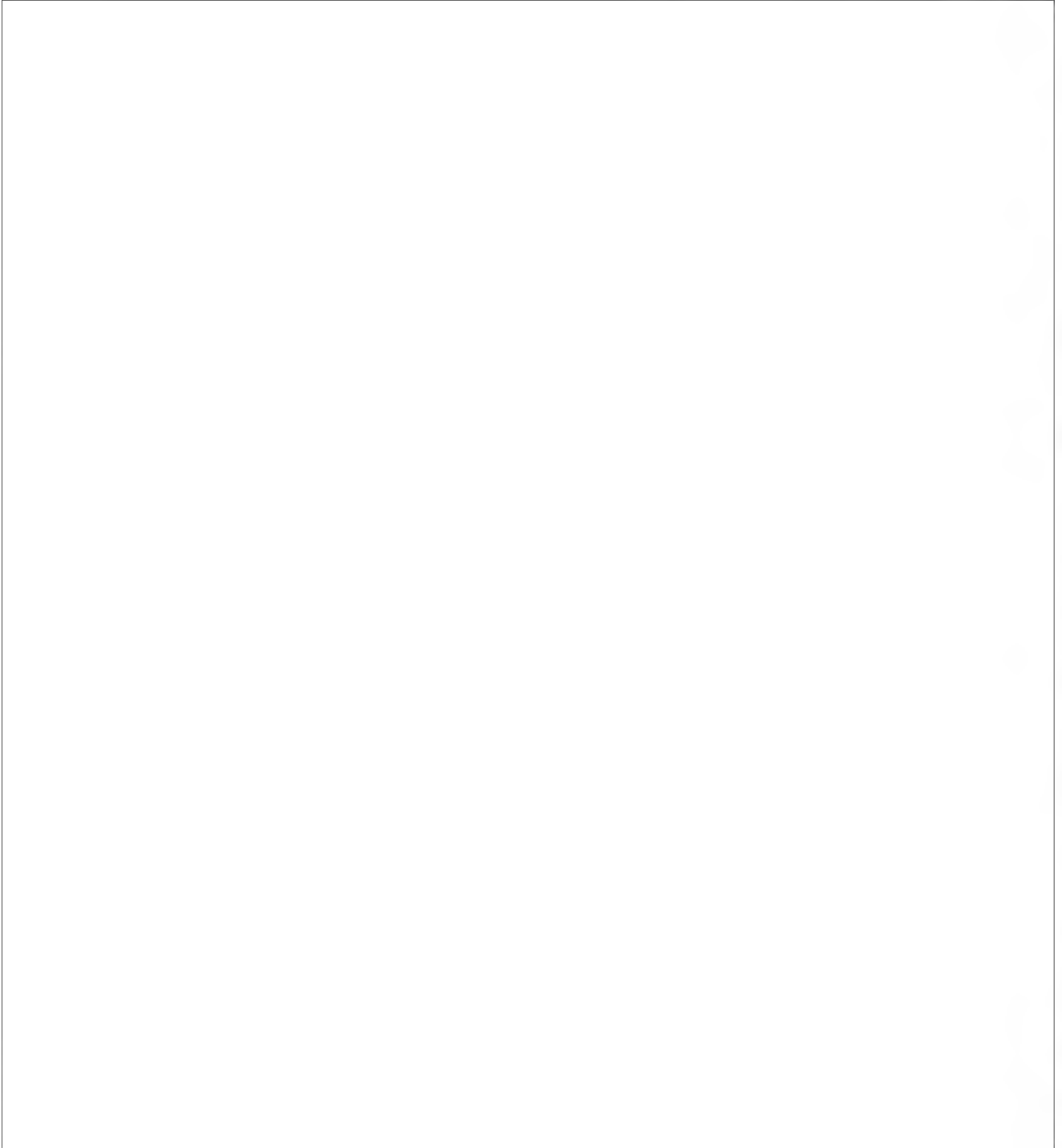
At the meeting on 8 January, Communist leader Marchais held fast to the view that the Polish crisis was an internal matter. He refused to accept a Socialist proposal calling for the release of Solidarity leaders, a return to the public liberties recognized by the Gdansk agreements, and the dispatch of a French trade union delegation to Poland to meet with Solidarity leader Walesa. The final communique noted simply the exchange of differing views.

1/2 Comment: Both the government and Socialist Party leaders probably judge that additional pressure on the Communist leadership--already torn between loyalty to Moscow and a desire to stay in tune with public opinion and pro-Solidarity elements in the party rank and file--will only make continued Communist participation in the government more difficult. For now, Mitterrand's strategy is to keep a weakened and divided Communist Party in the government in order to minimize its ability to thwart his domestic plans. The Socialists particularly hope to forestall labor strife so that they can carry out their program for long-term socioeconomic reforms.

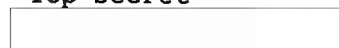
Looking to the party congress in February and the municipal elections in 1983, the Communists continue to see participation in the government as a means to limit and, if possible, reverse their recent electoral losses to the Socialists. As members of the government, the Communists intend to show that they are capable of governing responsibly. They also want to share in the early public approbation of the government and hope to time any break with the Socialists to exploit eventual disenchantment with the Socialists' domestic economic performance.

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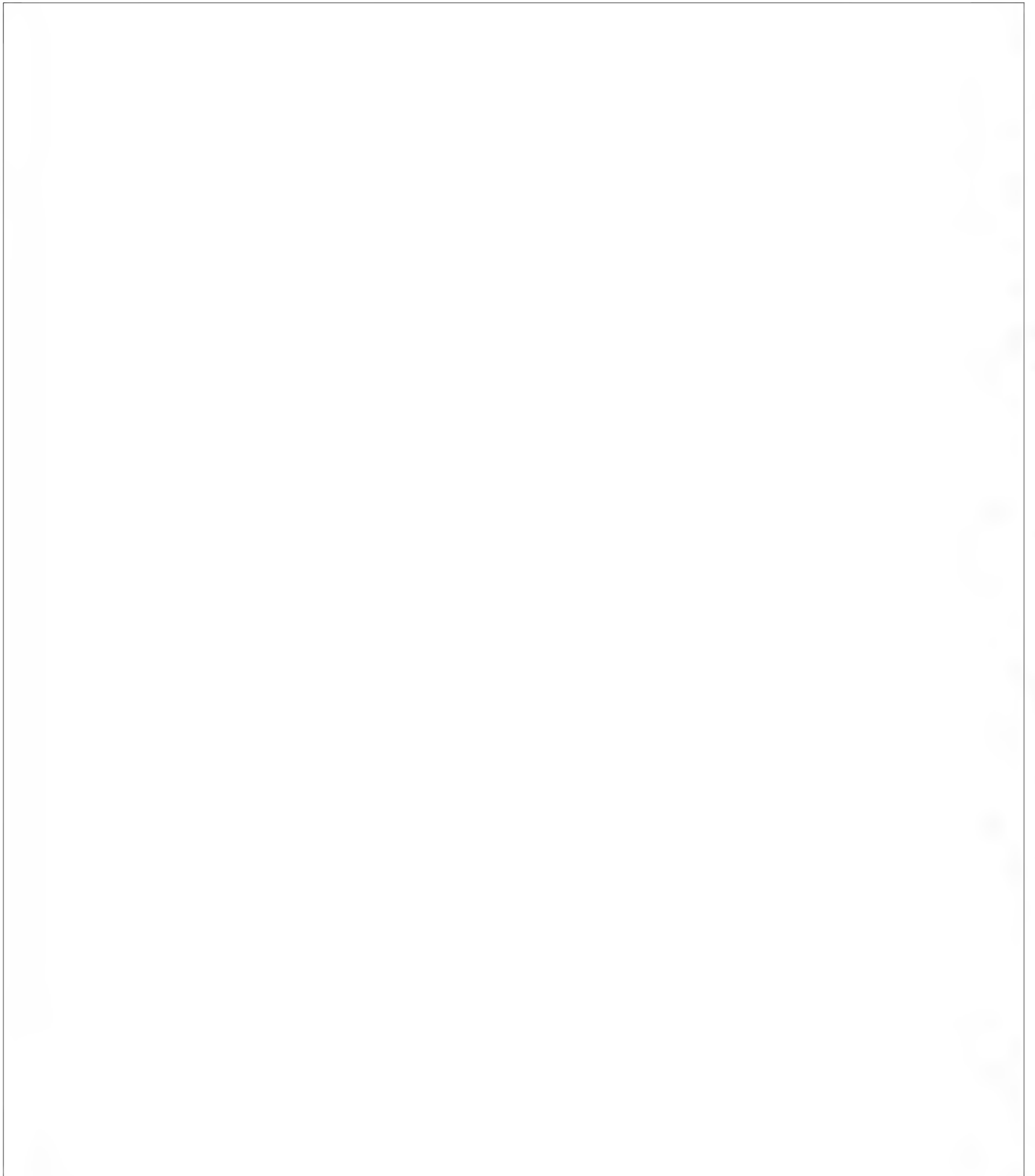
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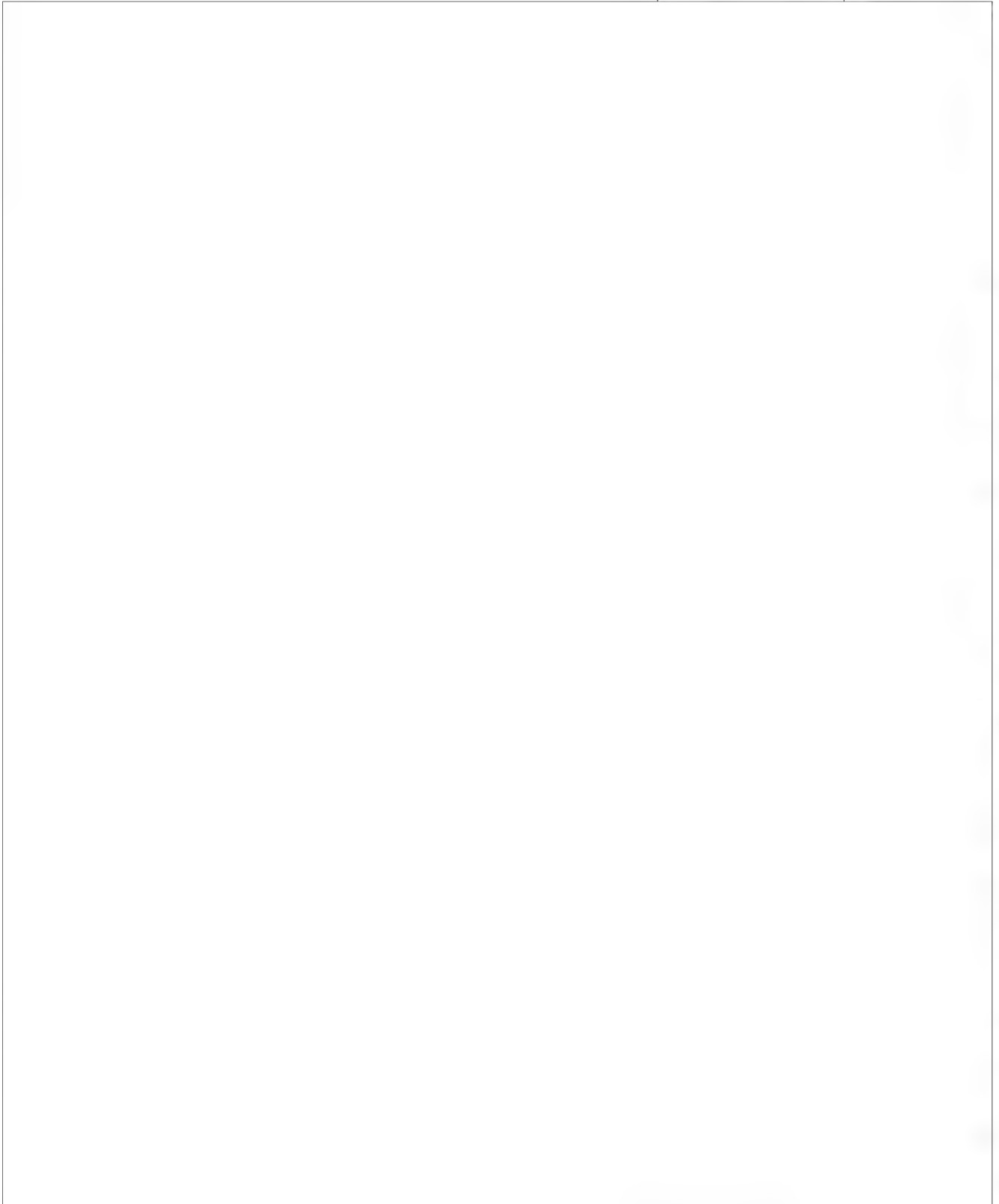
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14 January 1982



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14 January 1982

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5 WEST GERMANY: Schmidt's Statement to the Bundestag

Chancellor Schmidt is to present a detailed statement to the Bundestag today covering his talks with President Reagan and President Mitterrand. [redacted]

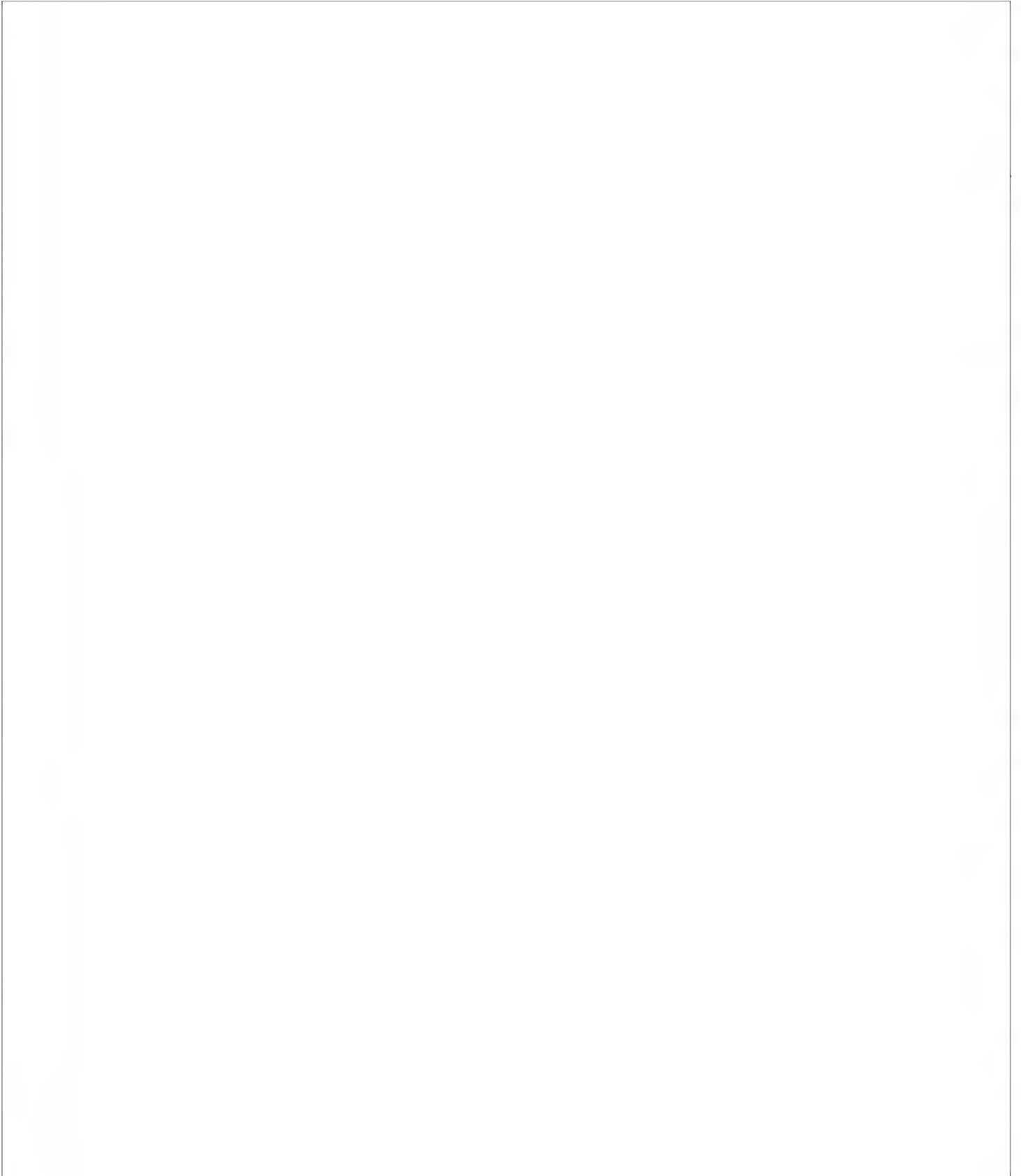
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Comment: Schmidt probably will portray the talks as efforts to develop a coordinated Western response on Poland. In addition, he is likely to argue that US sanctions and tough statements by other West European governments have put useful pressure on the Polish military government and the Soviets. At the same time, however, he will attempt to justify his government's more restrained response by adding that concurrent incentives are needed to encourage Warsaw to moderate its policies and continue earlier reforms. There is still a domestic consensus supporting Schmidt's line, and the opposition has yet to develop a credible alternative. [redacted]
[redacted]

4 EC-JAPAN-CANADA-US: Trade Discussions

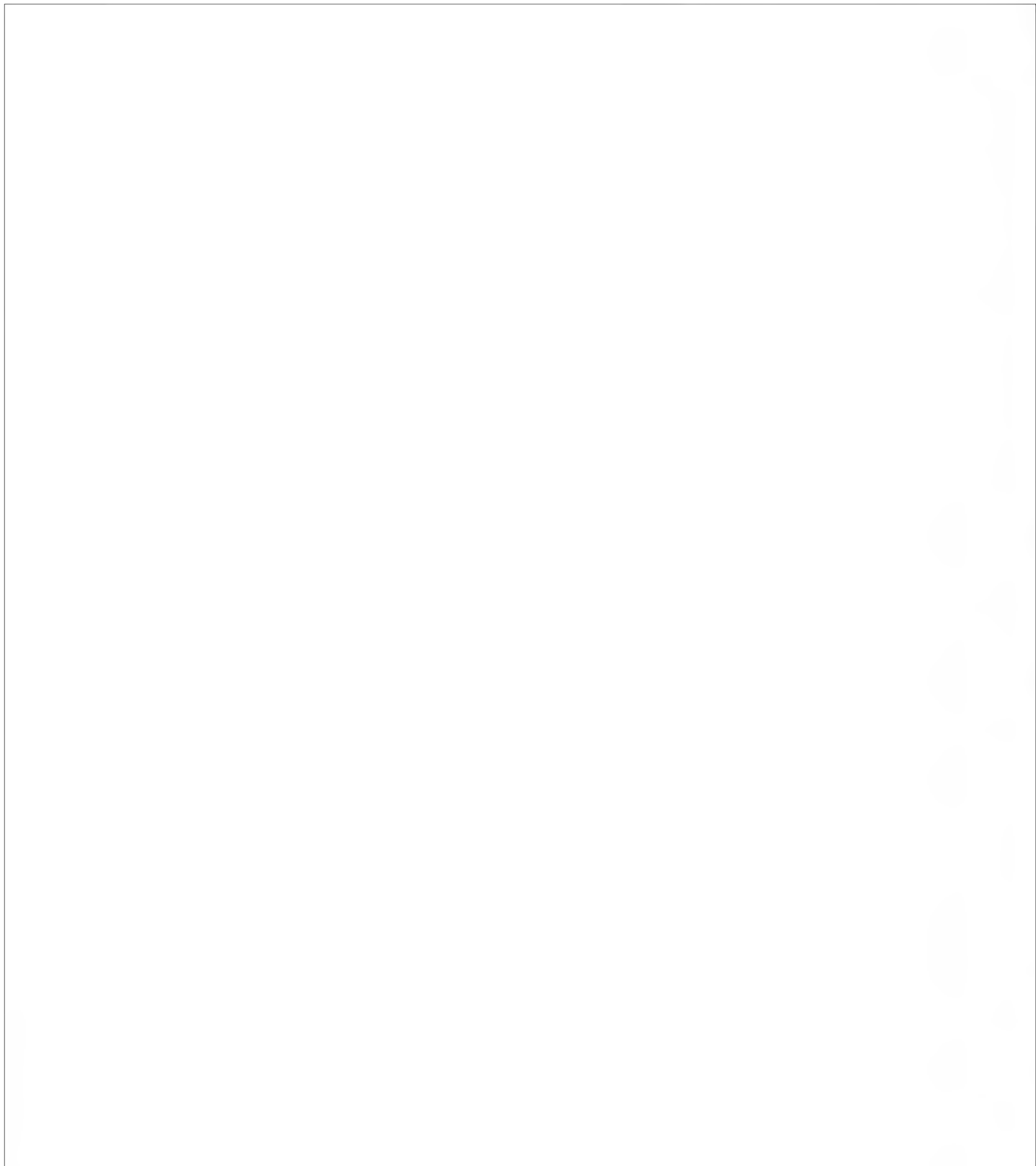
Informal trade talks among the EC, Japan, Canada, and the US begin today in Key Biscayne, Florida. The meeting was delayed until this month by wrangling within the Japanese Government over whether to attend. There is no formal agenda, but there is some understanding that ways of resisting protectionist pressures will be an important topic. [redacted]

1-3
Comment: Japan almost certainly will try to divert attention from the problems caused by its large trade surpluses with the US and with the EC by enumerating the actions it has already taken and by introducing long-range topics. The talks nevertheless may produce an agreement on what trade problems the four parties will concentrate on over the next 6 to 12 months. [redacted]
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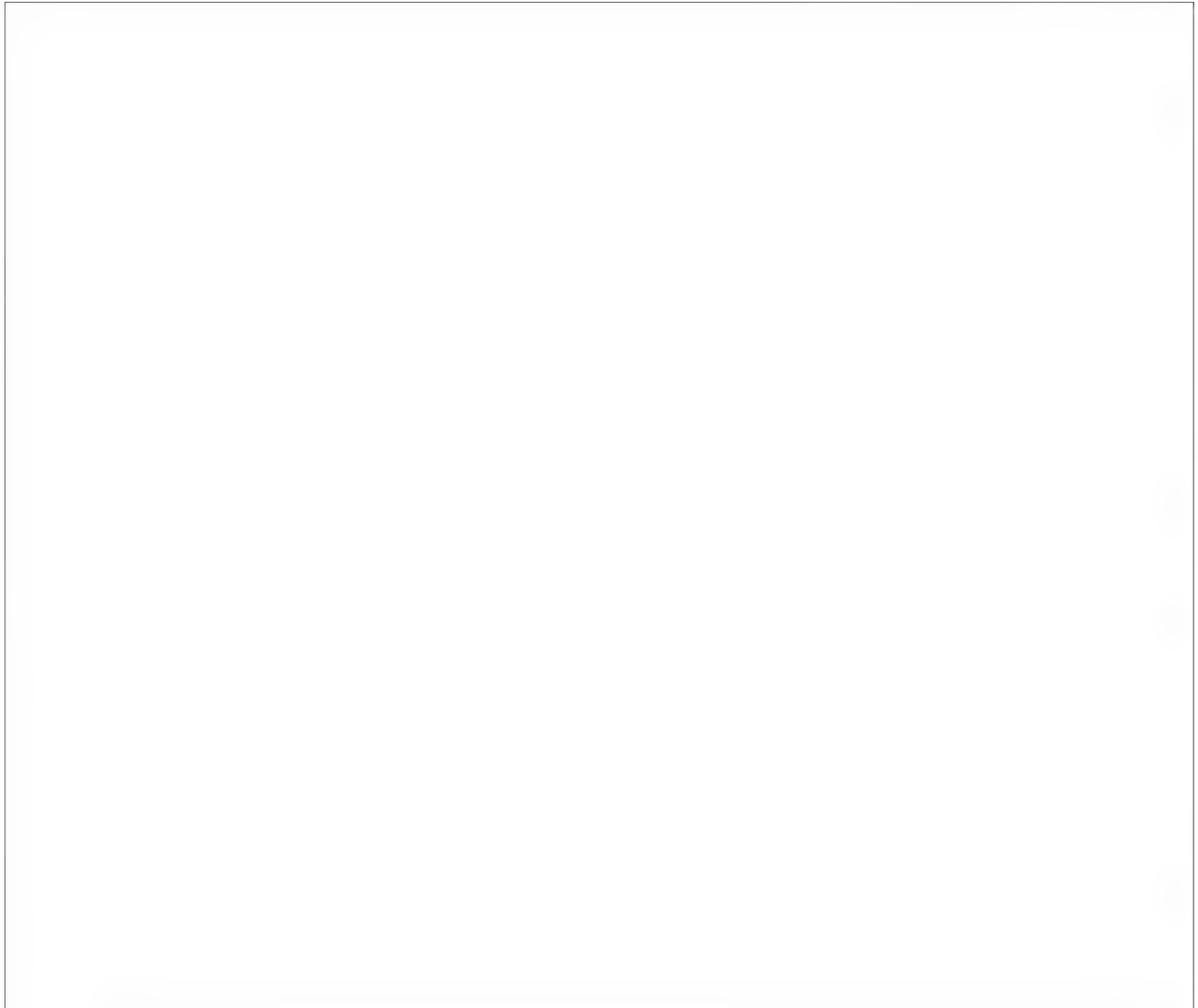


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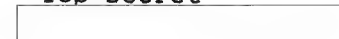


14 January 1982

~~Top Secret~~



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14 January 1982

~~Top Secret~~

SPECIAL ANALYSIS

(13) ISRAEL: Political Situation in the West Bank

Most Arabs in the West Bank and Gaza Strip see Israeli efforts to encourage anti-PLO elements as the prelude to an "imposed" autonomy scheme, and they are reluctant to cooperate. Organized opposition to the Israeli moves has been muted, however, largely because Arab political activists have been preoccupied with factional disputes among themselves and have been hindered by tough Israeli security measures. Support for the PLO remains widespread although primarily passive among Arab residents of the areas.

Defense Minister Sharon apparently plans to push ahead with his campaign to undercut PLO influence in the area and get local leaders to work more closely with the recently announced Israeli civil administration. Although Sharon has not been able to enlist any significant Arab support for the autonomy process, he is pleased by the willingness of a number of officials to deal with the civil administration despite PLO warnings to local Arabs to avoid such contacts.

1-4 Civil administration head Menachem Milson has stepped up his contacts with the Israeli-sponsored Village Leagues, which are composed of rural clan leaders who have been given expanded powers in order to undercut the popularly elected Arab mayors. He also has opened talks with other rural organizations. Milson and Sharon hope to encourage rural Arabs, whom they believe are more conservative and less inclined to support the PLO, to play a larger political role.

At the same time, the Israelis have made it clear that they are prepared to use harsh security measures to control individuals they believe are pro-PLO.

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Determined Opposition

Opposition remains widespread in the West Bank and Gaza both to the Camp David process and to the civil administration. Even local leaders who are looking for ways to involve the Palestinians in the negotiating process fear that the autonomy talks are at a dead end. [redacted]

The local leaders maintain progress can be made only if Israel is prepared to freeze Jewish settlement activity or guarantee local Arab control over water and land resources. Those few area figures willing to support the autonomy framework--most are associated with the Village Leagues--are widely regarded as collaborators and lack a political following. [redacted]

1-4 West Bank and Gaza leaders have been unable to organize sustained area-wide opposition to the Israeli occupation, although sporadic strikes and demonstrations have occurred almost daily for the last two months. Political activists have been hamstrung by a series of tough security measures. They also have been hindered by factional disputes such as the one at an-Najjah University in Nablus between Islamic fundamentalists and radical elements and another between conservatives and radicals for control of the West Bank trade unions federation. [redacted]

Virtually all West Bankers and Gazans continue to look to the PLO for leadership on the major issues affecting the Palestinian question. Even conservative mayors admit that the PLO is the only legitimate representative of the Arabs living in the two areas. Apart from the outspoken student population, however, few are willing to work openly for the PLO in the West Bank and Gaza. [redacted]

Outlook

Sharon probably will increase his efforts to foster a moderate Palestinian leadership as the deadline for Israeli withdrawal from the Sinai approaches. The Israelis would like to have at least some Palestinian

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figures lined up in case an agreement is reached with the Egyptians on arranging autonomy in the West Bank and Gaza. If the talks fall apart, these leaders could then be used as part of an "imposed" autonomy scheme. [redacted]

Jewish settlers in the area probably will continue to be given expanded authority. Regional councils have been set up in the West Bank and Gaza and many settlements now have their own court systems. Some settlers have been given the right to detain and search local Arabs under certain circumstances. [redacted]

These efforts are likely to meet with continuing opposition, and the security situation could deteriorate quickly, leading to more violence. Disarray in Arab ranks coupled with continuing tough security measures, however, will enable the Israelis to keep the situation under control and prevent any organized political opposition from coalescing. [redacted]

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14 January 1982

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